

NATIONAL DAIRY MARKET AT A GLANCE

CHICAGO MERCANTILE EXCHANGE (CME) CASH MARKETS: Grade AA butter increased 1 1/4 cents to \$2.1650. Barrel cheese decreased 3/4 of a cent to \$1.4800 and 40# blocks are unchanged at \$1.6575.

BUTTER: Reports continue to indicate that butter stocks are tight. However, some contacts have already commented on the fact that 83 loads have been sold during the last three cash butter markets at the CME. Churning activity, across the country, ranges from light to moderate. Producers are easily clearing current output as demand remains good. Print orders and retail sales are steady to mostly slower. However, suppliers and retailers are starting to make preparations for the year-end holidays.

CHEESE: The cash cheese market is steady on blocks, weak on barrels. The decision by the CME to go to daily cash cheese trading in September has buyers and sellers discussing their future pricing programs. Some tightness is noted on current varieties and blocks in scattered areas. Cheese production is steady to lower, affected in some markets by stronger Class I usage for school lunch programs.

FLUID MILK: Milk production patterns over most of the country are being seasonally affected by summertime weather patterns. Continued heat in the southern tier of states is causing milk production to trend lower. Shortages of milk in the Southeast continue and loads are being shipped into that region. This week, Florida has scheduled 179 loads of Grade A milk, up 50 loads from last week. An additional 95 - 110 loads are being shipped to other Southeastern states to supplement local shortages. Loads are coming from several Northeastern states, as far north as Michigan, and often stepped in from states in between. In the Southwest, milk output is down from this time last year in California and Arizona. Manufacturing plant schedules are being adjusted because of the lower milk receipts and declining solids in milk. Cream demand is still good across most regions. Ice cream production is still active and leading the demand for cream.

DRY PRODUCTS: On August 19, the CME Board of Directors voted to approve daily cash trading of nonfat dry milk. Trading will begin September 1, 1998. NDM prices are higher in most areas of the country. Supplies continue to tighten as a result of good sales under DEIP and lower than projected milk supplies in many states. More than 6.8 million pounds

of NDM, previously offered to CCC, were canceled to supply commercial sales. Buttermilk markets are firming as more buyers are competing for the limited supplies. Whey prices are steady to lower. Producer offerings are in line with current buying interest. Supplies are also being offered from resellers. Some producers are having production problems resulting from hot and humid conditions, which are resulting in less edible whey being available. WPC prices are firmer with good demand for the limited offerings. Lactose prices remain depressed because of high supplies and declining export activity.

CCC: During the week of August 17 - 21, there were no sales to the CCC under the price support program. Cancellations of previously offered NDM totaled 6,804,484 pounds.

MILK PRODUCTION (NASS): Milk production in the 20 major states during July totaled 11.3 billion pounds, 0.8% below production in these same states in July 1997. June revised production, at 11.4 billion pounds was 0.2% above June 1997. Production per cow averaged 1,464 pounds for July, 9 pounds (0.6%) below July 1997. The number of cows on farms was 7.75 million head, down 14,000 (0.2%) head from July 1997.

JUNE FLUID MILK SALES HIGHLIGHTS (USDA, AMS): During June, sales of fluid milk products in comparable Federal milk order marketing areas and California were 0.2% below the previous year but 1.2% above May 1998 on an adjusted daily average basis. Sales of whole milk items were 0.2% below the previous year; sales of fat-reduced milk items were unchanged from the previous year. Total fluid milk sales were higher in the Midwest and Southwest, lower in all other regions.

FEDERAL MILK ORDER MARKET SUMMARY (USDA, AMS): During July, about 6.8 billion pounds of milk were marketed under Federal orders. Producer deliveries were about 0.8% more than July 1997, and about 1.1% less than June 1998 on a daily average basis. Milk utilized in Class I products in July was 1.0% more than last year on an adjusted basis. Class I use this year represented 54% of producer milk deliveries compared to 39% in July 1997. The average blend price was \$13.49, \$1.48 more than last year. Changes in class prices from year-earlier levels were: Class I, up \$0.18; Class II, up \$0.18; Class III, up \$3.91; and Class III-A, up \$3.55.

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**CHICAGO MERCANTILE EXCHANGE
CASH TRADING**

LST = Last Significant Transaction

BUTTER ON FRIDAY, AUGUST 21, 1998

(CARLOT UNIT = 40,000-42,000 LBS.)

GRADE	:	CLOSE	:	CHANGE
AA	:	\$2.1650	:	+0125

SALES: 33 CARS: 4 @ \$2.1600, 5 @ \$2.1625,
1 @ \$2.1825, 1 @ \$2.1900, 5 @ \$2.1825, 1 @ \$2.1800,
1 @ \$2.1700, 1 @ \$2.1625, 2 @ \$2.1650, 5 @ \$2.1625,
2 @ \$2.1600, 2 @ \$2.1575, 1 @ \$2.1550, 1 @ \$2.1625,
1 @ \$2.1600

BIDS UNFILLED: 13 CARS: 1 @ \$2.1650 (LST),
8 @ \$2.1550, 2 @ \$2.1525, 2 @ \$2.1500

OFFERS UNCOVERED: 1 CAR @ \$2.2500

CHEESE ON THURSDAY, AUGUST 20, 1998

(CARLOAD UNIT = 40,000-44,000 LBS.)

STYLES	:	CLOSE	:	CHANGE
BARRELS	:	\$1.4800	:	-0075
40# BLOCKS	:	\$1.6575	:	N.C.

SALES: 2 CARS BARRELS:
1 @ \$1.4775, 1 @ \$1.4800 (LST)
2 CARS 40# BLOCK @ \$1.6575 (LST)

BIDS UNFILLED: 3 CARS BARRELS:
2 @ \$1.4800, 1 @ \$1.4200

4 CARS 40# BLOCK @ \$1.6575

OFFERS UNCOVERED: 5 CARS BARRELS @ \$1.4875

2 CARS 40# BLOCKS:
1 @ \$1.7575, 1 @ \$1.7600

BUTTER MARKET REMAINS STRONG

The butter market remains strong as prices rose another 17 cents per pound between mid-July and mid-August. In general, sluggish output and strong demand for many milkfat products remain the main story. However, the spring swelling of pipeline stocks now appears to have been modest. Without large pipeline holdings to work down, pressures to reduce prices have thus far been outweighed by continued brisk fat sales and concerns about autumn supplies. Markets conditions will ease seasonally after Labor Day, before tightening again as the year-end holidays approach. This seasonal easing is expected to bring a modest adjustment in butter prices, although such declines are far from certain.

With butter prices remaining strong, cheese prices have been unsettled. Block Cheddar prices rose 5 cents per pound in late July, while barrel prices slipped 4 cents. Cheese markets probably will be fairly tight during the rest of 1998. If butter prices ease and milk production starts to grow as expected, cheese prices probably will decline somewhat this autumn, even though nonfat dry milk markets are not likely to be as weak as during spring and summer.

Source: "Livestock, Dairy, and Poultry Monthly", LDP-53, August 17, 1998, Economic Research Service, USDA. For more information, contact James J. Miller, or Laverne T. Williams, (202) 694-5184

BUTTER MARKETS**NORTHEAST**

The premium structure is unchanged to slightly lower and Grade AA butter at the CME increased a fraction of a cent to \$2.1525. The market tone remains unsettled. Trading activity at the CME seems to indicate that some traders think the price should stabilize while others seem to be trying to push prices. Production levels in the East are light to moderate. The dropping milk supplies, good demand for cream from Class II channels, and schools reopening are keeping surplus milk volumes quite light. Butter stocks are light, but seem adequate to meet current needs. Local producers and printers are able to get additional volumes of bulk at competitive prices. Retail sales are reported as mostly slow to fair and food service orders are steady. The National Agriculture Statistics Service (NASS) will, sometime in September, begin collecting data for their upcoming butter price survey.

CENTRAL

Butter prices are higher following the August 14 cash butter increase of 1/4 cent at the Chicago Mercantile Exchange with the reported pricing structure remaining unchanged. Producers remain very cautious about building inventories at this time. In most instances, churns are active to the point of maintaining low workable levels to meet short term or immediate needs. Cream volumes are more available to local churns, but butter producers are reluctant to take on any additional volumes at this time. Overall buying interest is holding steady at fairly good levels. Food service orders are the strongest with retail orders somewhat lower but holding up at better levels than many butter producers and handlers anticipated.

WEST

The Western differential spread has narrowed with improving sales activity noted for bulk butter from the Western region. Buyers are more aggressively looking for additional loads of bulk. Retail print movement remains fair to good. Food service sales related to summer vacation areas are finishing with one last push for Labor Day. Demand for cream within the region and from outside areas remains good though volumes are declining. Butter production is declining seasonally as milk output moves lower. Contacts are wondering if the imports of butter heading to the U.S. will be large enough to impact the market to any great extent.

WHOLESALE SELLING DIFFERENTIALS, F.O.B. PRODUCING PLANTS,
TRUCKLOAD QUANTITIES.

FIGURES REPRESENT THE RANGE IN PREMIUMS OR DISCOUNTS
(CENTS/POUND) FROM THE CME GRADE AA CASH BUTTER CLOSE
AUGUST 14, 1998 CLOSE = \$2.1525

STYLE	NORTHEAST	CENTRAL	WEST
BULK	+3 TO +5	flat TO +4	-3 TO flat

WEEKLY COLD STORAGE HOLDINGS - SELECTED STORAGE CENTERS
IN THOUSAND POUNDS - INCLUDING GOVERNMENT STOCKS

	BUTTER	CHEESE
	:	
08/17/98	9,600	: 111,929
08/01/98	9,123	: 113,415
CHANGE	+477	: -1,486
% CHANGE	+ 5	: - 1

NASS CHEDDAR CHEESE PRICE SURVEY

WEEK ENDING	40# BLOCKS		640# BLOCKS		BARRELS (adjusted to 39% moisture)		
	MN/WI	WEST	U.S.	U.S.	MN/WI	OTH STATES	U.S.
AUGUST 14	1.6691	1.6198	1.6370	1.6064	1.5265	1.4430	1.4793
	1,837,043	4,178,750	6,261,923	804,747	2,873,207	3,647,261	6,520,468

Further data and revisions may be found on the Internet at: <http://usda.mannlib.cornell.edu/reports/nassr/price/cheddar/>

CHEESE MARKETS

NORTHEAST

Prices are unchanged to lower on process; steady on natural and Swiss. The market tone remains firm, but unsettled. Since the announcement of daily cash cheese trading at the CME, trade sources are still discussing what impact it will have on marketing. Some trade contacts comment that the change to daily trading is not something that a majority of producers and distributors would have proposed. Eastern cheese production is light as milk supplies tighten seasonally. Producers' stocks are quite well balanced with needs. At current prices, cheddar producers are putting less into aging programs. Demand for mozzarella is picking up along seasonal patterns.

WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Cheddar 10# Prints	:	1.6300-2.1400
Cheddar Single Daisies	:	1.6000-2.1450
Cheddar 40# Block	:	1.7950-1.9450
Process 5# Loaf	:	1.6975-1.8250
Process 5# Sliced	:	1.7175-1.8825
Muenster	:	1.8275-2.1525
Grade A Swiss Cuts 10 - 14#	:	2.2500-2.5050

MIDWEST

The cheese market is generally steady, though with an unsettled undertone. At the Chicago Mercantile Exchange cash cheese market on August 13, barrels declined 1.25 cents to \$1.4875 and 40# blocks were unchanged at \$1.6575. The CME has announced plans to go from weekly cash cheese trading to daily sessions. As a result, traders are discussing whether to price product daily or use some kind of weekly average as a price base. Supplies of 640's are more than adequate with 40# blocks about adequate. Switching production or cutting extra 640's into 40's are a couple options being discussed. Barrel offerings are at least adequate for needs. A few processors/packagegers are passing along overage increases to customers. Some buyers have been experiencing shorted or slow arriving orders on current cheese varieties. More customers are reordering to replace inventories drawn down in recent weeks. More Swiss cheese producers have announced or passed on price increases. Milk intakes continue fairly steady. Plant operating schedules are being adjusted in some areas by bottlers refilling the school milk pipeline.

WISCONSIN WHOLESALE SELLING PRICES: DELIVERED,
DOLLARS PER POUND (1000 - 5000 POUNDS MIXED LOTS)

Process American 5# Loaf	:	1.5575-1.8600
Brick And/Or Muenster 5#	:	1.9200-2.1400
Cheddar 40# Block	:	1.9150-1.9400
Monterey Jack 10#	:	1.9150-2.1225
Blue 5#	:	2.2650-2.4600
Mozzarella 5 - 6# (Low Moisture, Part Skim)	:	1.9150-2.0075
Grade A Swiss Cuts 6 - 9#	:	2.3000-2.4850

MIDWEST COMMODITY CHEDDAR

Dollars per pound, standard moisture basis (37.8-39.0%),
carlot/trucklot, F.O.B. plants or storage centers.

CHEDDAR STYLES	:	AUGUST 17 - 21, 1998
BARRELS*	:	\$1.4775 - 1.5075 (NOMINAL)
	:	(-\$0.0125) (-.0125)
40# BLOCKS	:	\$1.6475 - 1.6875 (NOMINAL)
	:	

() Change from previous week. * If steel, barrel returned.

WEST

Natural and Swiss prices held steady while process prices declined again. Contacts are very concerned about the widening spread between barrel and block prices at the CME. Some operations are moving some milk around their systems to change their product mix away from as much barrel cheese production as is practical. Block offerings are in close balance with current demand. Aged cheese is hard to find at this time and is expected to be even more of a problem as the normally good fall demand season approaches. Mozzarella demand is increasing seasonally as the school year begins. Offerings are tight. Swiss offerings are in close balance with demand. Overall cheese production is declining seasonally.

WHOLESALE SELLING PRICES: DELIVERED, DOLLARS PER POUND
(1000 - 5000 POUNDS MIXED LOTS)

Process 5# Loaf	:	1.6825-1.9000
Cheddar 40# Block	:	1.8200-1.9200
Cheddar 10# Cuts	:	2.0000-2.1800
Monterey Jack 10#	:	2.0100-2.1425
Grade A Swiss Cuts 6 - 9#	:	2.3600-2.4300

FOREIGN TYPE CHEESE

Prices and the market tone are unchanged. The supply and demand situation is little changed from the past weeks, but as schools reopen, shopping habits switch back from the vacation season to school year "mode" and retail sales are expected to improve slightly. It was noted that Argentine cheese may be more available in the coming year because Brazil, a major customer in past years, is importing less cheese than it had in the past few years. Reportedly, Brazil's cheese production has more than doubled in the past 5-6 years.

WHOLESALE SELLING PRICES: FOB DISTRIBUTORS DOCK
DOLLARS PER POUND (1000 - 5000 POUNDS, MIXED LOTS)

VARIETY	NEW YORK	
	IMPORTED	DOMESTIC
Roquefort	: 5.5000-6.8900	: -0-
Blue	: 2.6400-3.1400	: 1.9925-2.6025
Gorgonzola	: 3.2400-5.9400	: 2.4900-2.6875
Parmesan (Italy)	: TFEWR	: 3.4025-3.4425
Romano (Italy)	: 2.0900-2.9000	: -0-
Provolone (Italy)	: 3.4400-5.5000	: 1.6650-2.1925
Romano (Cows Milk)	: -0-	: 3.1700-3.5125
Sardo Romano (Argentine)	: 2.6500-3.2900	: -0-
Reggianito (Argentine)	: 2.6500-3.2900	: -0-
Jarlsberg-(Brand)	: 2.7400-3.1200	: -0-
Swiss Cuts Switzerland	: -0-	: 2.2500-2.5050
Swiss Cuts Finnish	: 2.5900-2.8500	: -0-
Swiss Cuts Austrian	: 2.2500-2.7500	: -0-
Edam	:	:
2 Pound	: TFEWR	: -0-
4 Pound	: 2.1900-3.0900	: -0-
Gouda, Large	: 2.3900-3.1500	: -0-
Gouda, Baby (\$/Dozen)	:	:
10 Ounce	: 27.8000-31.7000	: -0-

* = Price change.

FLUID MILK AND CREAM

E A S T

Northeastern Milk Market Administrators announce July 1998 uniform (blend) prices: Federal Order (F.O.) 1 is \$13.14; F.O. 2, \$13.53; F.O. 4, \$13.50; F.O. 36, \$13.33; and Western NY Milk Market Area, \$13.55. During July, milk production in the 20 major states totaled 11.3 billion pounds, down 0.8% from July 1997. The following are the July to July changes for selected states: Kentucky -6.1%, Florida -3.2%, Virginia -2.0%, Texas -1.6%, Pennsylvania +0.8%, New York +1.0%, and Vermont +2.2%. Milk production is fairly steady throughout the region. Some small increases and decreases have been noted. Fluid milk supplies are seasonally tight. Most of the tightness stems from all the milk that is moving into the Southeast. This week, Florida handlers have scheduled the purchase of 179 loads of Grade A milk. This compares to 129 loads during the comparable week last year. Handlers in other Southeastern states are reaching a little farther to find milk and have 95 - 110 spot loads scheduled. These loads are in addition to the volumes or truckloads from regular or same-company sources. Schools in the Southeast and some other states are opening this week and next and the need for milk is peaking as the school lunch pipelines are being filled. Typically, bottlers place heavy orders for milk to meet the initial surge in demand and this is being reflected in milk shipments over the next couple weeks. Retail milk sales are mostly steady, but some improvement is usually noted as home shopping habits settle back into "school-year" patterns. Most Eastern manufacturing plants have lighter volumes of surplus milk and those operations that are shipping most of the milk to the Southeast have very little milk to process. Condensed skim demand is good and, due to the limited volumes of surplus milk, suppliers are occasionally struggling to make enough to fill contracts. Demand for Class II wet solids remains good. Prices are unchanged with the majority of Class II sales taking place in the low to mid 80's. The fluid cream market is somewhat unsettled. Supplies are tight early in the week, long late in the week. Prices are up fractionally due to the change in the cash butter price at the CME. However, lower high-end multiples do result in lower prices on the high end of the Northeast's range. Demand for cream is fair to good. Churning activity is light to moderate, but producers are a little reluctant to make and store butter at current prices. Ice cream production is moderate. Some seasonal slow down is being noted as the vacation season comes to an end. Overall, ice cream output has held up quite well despite the record high prices for butter/butterfat.

FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES

SPOT PRICES OF CLASS II CREAM, \$ PER LB BUTTERFAT

F.O.B. Producing Plants: Northeast	-	2.7552 - 2.9705
Delivered Equivalent Atlanta	-	2.7552 - 3.0135 M 2.8413 - 2.9274
F.O.B. Producing Plants: Upper Midwest	-	2.7983 - 2.9705

PRICES OF CLASS II CONDENSED SKIM, \$ PER LB WET SOLIDS

F.O.B. Producing Plants: Northeast	-	.7500 - .9500
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M I D W E S T

WISCONSIN SPOT SHIPMENTS:

SPOT SHIPMENTS:	LOADS
AUGUST 14 - 20, 1998	10
PREVIOUS WEEK	0
COMPARABLE WEEK IN 1997	0

DESTINATIONS: KENTUCKY 4, MISSOURI 6

Class I demand is steady to improved, aided by the reopening of some schools. The increase is so far been gradual as only a few systems have started. Another 4 Wisconsin loads were shipped to Ohio. Besides the milk shipments reported, another 30 loads of Wisconsin milk are "direct shipped" and pooled under a Southern Federal Order, 10 to Tennessee and 20 to Missouri. Michigan handlers are shipping a larger volumes into the Southeast. Manufacturing milk

interest is about steady but volumes are lower. Reported prices are \$1.50 - 2.00 over class/MCP. Cream prices are slightly higher. Demand is about steady. Milk receipts in most upper Midwestern plants is little changed from recent weeks as fairly comfortable summer weather has been occurring. However, in Western sections and further South within the region, extended heat and humidity have impacted receipts more noticeably. The initial estimated July milk production in selected Midwestern states compared with July 1997 is: Wisconsin 1.967 billion pounds, down 3 million pounds (0.2%); Minnesota 771 million pounds, down 19 million pounds (2.4%); Michigan 456 million pounds, off 4 million pounds (0.9%), and Iowa 325 million pounds, down 14 million pounds (4.1%). Crop maturity was hastened earlier in the season and corn in the dent stage is well ahead of normal levels. Many farmers are making third or fourth cutting hay/haylage.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

	AUGUST 13 - 19	PREVIOUS YEAR
SLAUGHTER COWS	\$ 33.50- 38.00	\$ 34.00- 40.00
REPLACEMENT HEIFER CALVES	\$ 150.00-200.00	\$ 95.00-140.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

	AUGUST 13 - 19	PREVIOUS YEAR
SLAUGHTER COWS	\$ 33.00- 40.00	\$ 36.00- 42.00

W E S T

Milk production in the 20 major states during July totaled 11.3 billion pounds, 0.8% below production in these same states in July 1997. June revised production, at 11.4 billion pounds was 0.2% above June 1997. Production per cow averaged 1,464 pounds for July, 9 pounds below July 1997. The number of cows on farms was 7.75 million head, down 14,000 head from July 1997 and down 2,000 from June 1998. Major Western states and their production percentage changes from last July are: Arizona -9.0%, California -3.1%, Idaho +7.1%, New Mexico +10.5%, and Washington -2.8%. Cumulative production from January to July 1998 compared to the same period in 1997 are: 20 surveyed states +0.8%, Arizona -2.2%, California +0.5%, Idaho +11.7%, New Mexico +7.6%, and Washington -1.4%. Milk production in California continues to trend lower in the far southern milk producing regions of the state, despite some moderation on temperatures. The effects of recent hot weather are still impacting milk cows. Milk volumes are lower at many manufacturing plants in the state and several plants continue to operate on reduced schedules. Milk production is also trending seasonally lower in New Mexico and Arizona and weather conditions in many milk producing areas are further impacting declines. Feed availability in the Southwest is in good shape with pricing levels for most feed commodities declining. Higher milk prices are increasing the demand for dairy heifers and milk cow replacements. Demand remains fair to good for cream both within the region and out of region. Western cream multiples are in the 113 to mid 120's range. Seasonally dry conditions are prevalent over the Pacific Northwest. Pastures that are not watered are not yielding much feed value. Hay quality remains a problem. Milk production is declining somewhat more rapidly due to hay quality related ration problems. Scattered frost was noted in hay growing areas of eastern Oregon on 8/18. Producers are very active in contracting corn and soy needs for fall. Heifer prices are up about \$150 over the last four weeks. Milk producers are not able to find all the heifers that they would like based on future milk prices. Manufacturing plants are gearing up to increase supplies to school accounts over the next few weeks. Expansion is still on the minds of many producers in the northern Mountain States region. A number of plants are also viewing plant expansions as necessary to meet milk supply needs for next spring. The hay situation has improved with both quality and volumes in better shape. Milk is declining seasonally.

CENTRAL AND WEST DRY MILK PRODUCTS

All reports, except California manufacturing plants, were released 08/20/98 and represent FOB Central and Western production areas. Prices represent CL/TL quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound.

NONFAT DRY MILK - CENTRAL

Prices are higher on the range and the mostly. The market tone is firmer. Producers and resellers are receiving higher prices for powder of all heat treatments. Some aged powder can be obtained at lower prices, but current production will cost more. High heat supplies are very limited and unavailable at some plants. Many producers have decreased or discontinued drying schedules which is also contributing to market conditions. With production schedules lighter and more active sales, plant stocks should become more balanced. For the week of August 10 - 13, offerings to the CCC from Central producers totaled 353,158 pounds of NDM. On August 19, the Chicago Mercantile Exchange (CME) board of directors approved the start of daily cash trading for NDM on September 1.

Includes EXTRA GRADE and GRADE A, low and medium heat

NONFAT DRY MILK: .10250 - .10700 MOSTLY: .10350 - .10400

DRY BUTTERMILK - CENTRAL

Prices and the market tone are unchanged. Interest ranges from fair to slower. Some sales, in limited volumes, were reported. A few producers have contacted end users in order to increase activity. Although, many buyers continue to purchase lower priced condensed buttermilk for needs. Production levels are lighter and inventories are moderate.

BUTTERMILK: .9300 - .9600

DRY WHEY - CENTRAL

Prices and the market tone are steady. Demand is mainly on an "as needed" basis. Those buyers in the market are finding better prices through resellers. Other end users are satisfied with inventory positions. Therefore, producer sales are slower and offerings are increasing. Interest for condensed whey remains strong, however availability is tightening. Production levels are moderate to lighter. Hot and humid weather conditions are causing problems at some plants and producing higher volumes of offgrades.

NONHYGROSCOPIC: .2700 - .2900 MOSTLY: .2775 - .2825

ANIMAL FEED WHEY - CENTRAL

Prices are lower on milk replacer and standard; unchanged on delactose and roller ground. The market tone is steady. Offerings are available as processing problems at edible plants continue to generate feed grade supplies. Interest varies from light to fair. Hog feed sales remain slow due to the continued low slaughter prices. Milk replacer business is better. Roller ground demand remains strong. Supplies are tighter as a result of some production changes. The delactose market is unchanged with steady sales activity.

MILK REPLACER: .2300 - .2600
STANDARD: .2100 - .2300
ROLLER GROUND: .2900 - .2950
DE LACTOSE (Min. 20% protein): .3275 - .3625

LACTOSE - CENTRAL AND WEST

Prices adjusted higher on the bottom of the range, but the mostly is unchanged. However, the market tone remains weak. Offerings are readily available from most producers and resellers. Spot orders continue to demand lower prices, while contracts hold steady. Export interest seems to be more promising this week. Some additional inquiries for future shipments were reported.

Including spot sales and up to 3 month contracts. Mesh size 30 - 100.

EDIBLE: .1600 - .2400 MOSTLY: .1750 - .1900

WHEY PROTEIN CONCENTRATE - CENTRAL AND WEST

Prices are higher and the market tone remains firm. Buyers continue to search all sources for offerings. Producer availability is scarce. Additional stocks for spot sales range from nonexistent to tight. Some producers are using older stocks to fill incoming orders. Most end users are having to purchase through resellers at costly premiums. Production is moderate to lighter as milk supplies are being diverted to the fluid market.

EXTRA GRADE 34% PROTEIN: .5750 - .6000 MOSTLY: .5825 - .5925

NONFAT DRY MILK - WEST

On August 19, the Chicago Mercantile Exchange (CME) Board of Directors voted to approve daily cash trading of NDM. Trading will begin September 1, 1998. Low/medium heat prices are higher for both the range and mostly. Spot interest is fair to good for current offerings. As producers fill DEIP orders and milk intakes decline, they have less NDM available to fill spot needs. Drying schedules are often lighter related to lower milk receipts. Lower solid's levels of the incoming milk are also affecting yields. Buyers are not finding powder available from all producers for current needs. Some producers expect the market to remain firm in the short term and are being selective with current transactions. Sales to the CCC under the price support program have ceased as producers' inventory positions improve. High heat NDM prices are also higher. High heat demand is good and most offerings are readily clearing.

Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: 1.0300 - 1.0550 MOSTLY: 1.0350 - 1.0550

HIGH HEAT: 1.0550 - 1.0800

DRY BUTTERMILK - WEST

Prices continue to trend higher in generally light trading. The market tone is firm. Demand is fair to good for the limited producer offerings. Buyers are having to pay higher prices to fill needs from both producers and resellers. Production levels continue light as churning schedules are often abbreviated and sales of condensed buttermilk are active enough to limit drying. Ice cream production is still quite active in the region and taking a lot of cream and buttermilk solids. Buttermilk stocks are light and held with more confidence.

BUTTERMILK: .9300 - .9950 MOSTLY: .9500 - .9600

DRY WHEY - WEST

The Western mostly held steady while the range declined fractionally in price. Sales activity remains very good overall. Supply and demand remain in close balance. Current production is declining seasonally. Export interest is surprisingly good with the currency issues noted in the Pacific Rim region. Powder also continues to go to South America and Mexico. Domestic interest is rated as fair to good. The market has a steady undertone.

NONHYGROSCOPIC: .2300 - .2550 MOSTLY: .2350 - .2400

CALIFORNIA MANUFACTURING PLANTS

The weighted average price for Extra Grade and Grade A Nonfat Dry Milk for the seven day period ended August 14, on powder sales of 10,086,423 pounds f.o.b. California manufacturing plants was \$1.0345 per pound. This compares to 7,746,775 pounds at \$1.0342 for the previous week ending August 7, 1998. Prices for both periods were influenced by the effect of long-term contract sales. Compiled by the Dairy Marketing Branch, California Department of Food and Agriculture.

NORTHEAST, SOUTHEAST, AND NATIONAL MILK PRODUCTS

All reports represent carlot/trucklot quantities in 50 lb., 100 lb., or 25 kg. bags, spray process, dollars per pound, unless otherwise specified. Delivered Southeast is delivered equivalent Atlanta.

NONFAT DRY MILK - NORTHEAST AND SOUTHEAST

On August 19, the Chicago Mercantile Exchange (CME) Board of Directors voted to approve daily cash trading of NDM. Trading will begin September 1, 1998 at 11:25 a.m. Early this week, there was quite a bit of conversation in the trade regarding the (then possibility) daily cash trading of NDM at the CME. Prices are unchanged to higher within the ranges. The market tone is firming. With heavy volumes of Grade A milk moving to bottlers in the Southeast, some butter/powder plants are left with little milk to process. Some plants are not drying at all while others are operating on a limited schedule. The continued good call for condensed skim is also affecting drying time. Producers have less powder on hand for spot sales. Many are clearing most or all of the current output through DEIP and domestic contracts. This lighter output and occasionally improved demand have forced many to increase prices. Powder in other regions is also tighter. Western powder, for the most part, is not being offered to CCC and heavy cancellations of previously offered NDM occurred last week. New DEIP bid acceptances continue. As of August 14, DEIP bid acceptances are nearly 36% of the current program's total.

Includes EXTRA GRADE AND GRADE A

F.O.B. NORTHEAST:

LOW/MEDIUM HEAT: 1.0300 - 1.0500

HIGH HEAT: 1.0600 - 1.1100 MOSTLY: 1.0700 - 1.0800

DELVD SOUTHEAST:

ALL HEATS: 1.0600 - 1.0825

DRY BUTTERMILK - NORTHEAST AND SOUTHEAST

Prices are unchanged to higher. The market tone is unchanged. Production levels are lighter paralleling churning activity. The reduced churning activity is generally a result of the tighter milk supply available to butter/powder plants and the continued good demand for cream. Producers' stocks are closely balanced with the slow to fair demand.

F.O.B. NORTHEAST: .9400 - .9500

DELVD SOUTHEAST: .9600 - .9825

DRY WHOLE MILK - NATIONAL

Prices and the market tone are unchanged. Production levels are generally lighter and limited to filling contracts. Domestic spot interest is slow to fair. Exports under DEIP are clearing a fairly good percentage of the current output. No new DEIP bids have been accepted in the past couple weeks. Producer stocks are closely balanced with needs.

F.O.B. PRODUCING PLANT: 1.4500 - 1.6000

DEIP BID ACCEPTANCE SUMMARY

JULY 1, 1998 THROUGH AUGUST 14, 1998
WITH CHANGES FROM PREVIOUS REPORT

NONFAT DRY MILK -- 30,249 MT (66,686,945 LBS)
CHANGE -- 2,538 MT (5,595,275 LBS)

WHOLE MILK POWDER -- 1,880 MT (4,144,648 LBS)

CHEESE -- 860 MT (1,895,956 LBS)
CHANGE -- 145 MT (319,667 LBS)

BUTTERFAT -- 0 MT

REALLOCATED NDM -- 16,357 MT (36,060,642 LBS)

NOTE: Last week's MT total should have been 16,357. The pounds were correct.

DRY WHEY - NORTHEAST AND SOUTHEAST

Prices are mostly unchanged. The market tone is mixed. Eastern producers still report a firm market and tight supplies. However, resellers do have product to offer at competitive prices. Production levels are often lighter as milk supplies available to Eastern cheese makers have eased. The cooler weather this week has helped dryer efficiencies. A few producers may have a few loads to move, but most report being sold out. Spot interest is generally filled via the resale market. It is often easier, and less expensive, for a buyer to find spot loads of dry whey from traders. Also, it was noted this week that more Midwest producers were offering powder. Supposedly, they are not offering at noticeably lower prices, but the fact that some were offering whey is a noticeable change from a few weeks ago. Many spot buyers are taking a wait and see attitude.

F.O.B. NORTHEAST: EXTRA GRADE .2800 - .2875

USPH GRADE A .2850 - .2950

DELVD SOUTHEAST: .3150 - .3225

ANIMAL FEED WHEY - NORTHEAST

Prices remain too few to report. Dry whey offerings are increasing in more areas. Demand remains light and generally tied to the slow/low-priced hog and cattle markets. Spot buyers appear to be taking a wait and see posture.

F.O.B. NORTHEAST: MILK REPLACER TFWER

EVAPORATED MILK - NATIONAL

Prices are mostly unchanged and the market tone is steady. Buyers, seeing possible higher prices, are looking to "buy-in" and stock up before prices advance any further. Production levels are steady to lighter as schools start to reopen which impacts the surplus milk volumes available to evaporators.

DOLLARS PER 48 - 12 FLUID OUNCE CANS PER CASE DELIVERED MAJOR U.S. CITIES \$23.62 - 33.00

Excluding promotional and other sales allowances. Included new price announcements.

CASEIN - NATIONAL

Casein markets are steady although the undertones is unsettled and weak. Contracted volumes are reported to be arriving on time and buyers do not foresee any difficulties for the balance of the year. Overall demand remains steady and consistent with projected needs. Additional volumes of both acid and rennet are available on a spot basis. In most instances, domestic users have fully sufficient volumes and are passing up spot offerings.

SPOT SALES AND UP TO 3 MONTH CONTRACTS. PRICES ARE FOR EDIBLE NONRESTRICTED AND VARY ACCORDING TO MESH SIZE AND QUALITY.

RENNET: 2.0500 - 2.1000

ACID: 1.9500 - 2.1000

COFFEE, SUGAR, & COCOA EXCHANGE AND CHICAGO MERCANTILE EXCHANGE FUTURES

Selected settling prices, (open interest), and volume 1/

Month	08/05	08/06	08/07	08/10	08/11	08/12	08/13	08/14	08/17	08/18	CSCE -
BFP -- Dollars per cwt.											
AUG 98	15.28 (128) 1	15.38 (130) 6	15.30 (130) 4	15.25 (124) 11	15.28 (124) 0	15.28 (125) 2	15.33 (126) 4	15.29 (126) 1	15.34 (129) 4	15.33 (129) 0	
SEP 98	15.18 (120) 3	15.30 (122) 3	15.05 (126) 7	14.88 (127) 2	14.77 (126) 11	14.68 (136) 12	14.90 (137) 5	14.83 (138) 4	14.98 (133) 18	15.07 (138) 7	
OCT 98	14.25 (91) 4	14.35 (91) 0	14.15 (91) 1	13.90 (92) 2	13.78 (92) 7	13.68 (92) 1	13.90 (92) 0	13.86 (92) 0	13.98 (92) 0	13.99 (90) 2	
NOV 98	13.10 (20) 0	13.22 (22) 2	13.10 (22) 0	12.88 (22) 2	12.59 (24) 7	12.58 (24) 1	12.70 (24) 1	12.55 (24) 0	12.63 (24) 0	12.63 (24) 0	
DEC 98	12.90 (54) 0	13.03 (55) 1	12.70 (54) 0	12.71 (54) 0	12.55 (53) 1	12.53 (53) 3	12.63 (53) 0	12.55 (53) 0	12.60 (54) 4	12.55 (54) 1	
JAN 99	12.45 (4) 0	12.50 (4) 0	12.45 (4) 0	12.20 (6) 2	12.25 (6) 0	12.18 (6) 0	12.30 (7) 1	12.31 (7) 0	12.29 (7) 0	12.30 (7) 0	
FEB 99	12.38 (4) 0	12.43 (4) 0	12.40 (4) 0	12.15 (6) 2	12.20 (6) 0	12.10 (6) 1	12.25 (7) 2	12.34 (7) 0	12.25 (7) 0	12.20 (7) 0	
MAR 99	12.23 (2) 0	12.28 (2) 0	12.25 (2) 0	12.08 (2) 0	12.05 (2) 0	12.20 (2) 0	12.16 (6) 4	12.28 (6) 0	12.15 (6) 0	12.20 (6) 0	

CME - BUTTER -- Cents per pound

SEP 98	208.75 (12) 0	210.25 (12) 0	212.75 (13) 1	212.75 (13) 0	212.75 (13) 0	213.00 (13) 0	215.00 (13) 1	215.00 (13) 0	215.00 (13) 0	215.00 (13) 0	
OCT 98	200.00 (13) 6	201.50 (13) 0	204.00 (15) 2	204.00 (15) 0	204.00 (15) 0	204.00 (15) 0	204.00 (15) 0	206.00 (18) 4	206.00 (18) 0	206.00 (18) 0	

CME - BFP -- Dollars per cwt.

AUG 98	15.26 (453) 19	15.38 (457) 63	15.32 (443) 56	15.30 (447) 31	15.26 (448) 4	15.30 (448) 5	15.30 (450) 1	15.30 (450) 2	15.35 (448) 2	15.33 (449) 1	
SEP 98	15.17 (383) 5	15.22 (378) 17	15.10 (380) 4	14.90 (385) 10	14.76 (397) 48	14.68 (413) 41	14.68 (417) 12	14.84 (432) 47	14.96 (440) 44	15.08 (456) 60	
OCT 98	14.25 (301) 4	14.33 (310) 17	14.17 (312) 5	13.95 (318) 15	13.79 (326) 45	13.71 (318) 20	13.76 (315) 5	13.83 (317) 18	14.00 (329) 32	14.00 (334) 34	
NOV 98	13.13 (168) 8	13.25 (173) 9	13.03 (191) 36	12.75 (197) 6	12.53 (195) 12	12.45 (195) 8	12.45 (195) 2	12.55 (201) 13	12.65 (202) 1	12.63 (201) 9	
DEC 98	13.00 (164) 10	13.05 (164) 6	12.85 (169) 7	12.70 (169) 3	12.62 (173) 5	12.50 (173) 3	12.46 (176) 3	12.50 (182) 7	12.55 (182) 1	12.55 (188) 16	
JAN 99	12.50 (45) 1	12.50 (45) 0	12.50 (55) 12	12.40 (58) 5	12.25 (61) 5	12.17 (63) 7	12.20 (63) 1	12.28 (63) 0	12.32 (64) 5	12.20 (76) 21	
FEB 99	12.50 (31) 2	12.50 (31) 0	12.45 (33) 4	12.30 (37) 7	12.25 (42) 7	12.10 (44) 2	12.20 (54) 13	12.23 (54) 0	12.23 (54) 0	12.20 (64) 20	
MAR 99	12.31 (11) 0	12.31 (11) 0	12.30 (14) 3	12.10 (27) 18	12.10 (27) 0	12.07 (27) 3	12.12 (37) 15	12.15 (37) 0	12.15 (37) 0	12.15 (48) 21	

CME - CHEDDAR CHEESE -- Cents per pound

JUL 98	161.50 (20) 0	161.50 (20) 0									
SEP 98	158.00 (70) 2	158.30 (70) 0	158.00 (70) 0	158.00 (70) 0	158.00 (70) 0	157.475 (70) 0	157.00 (70) 1	156.00 (70) 0	156.00 (70) 0	156.00 (70) 0	

1/ At the CSCE Open interest for NDM -- 44,000 pounds per contract, Cheddar Cheese -- 10,500 pounds per contract, Fluid Milk -- 50,000 pounds per contract, BFP -- 100,000 pounds per contract. At the CME Open interest for Cheddar Cheese -- 40,000 pounds per contract and BFP -- 200,000 pounds per contract. For more detailed information, you may call our automated voice system at 608-224-5088 or the CSCE's Soft Fax at 212-742-6111.

INTERNATIONAL DAIRY MARKET NEWS

Information gathered August 10 - 21, 1998

Prices are U.S. Dollars per MT, F.O.B. port. Information gathered for this report is from trades, offers to sell, and secondary data. This bi-weekly report may not always contain the same products and/or regions. Future reports may be included or withdrawn depending on availability of information. MT = metric ton = 2,204.6 pounds.

WESTERN AND EASTERN EUROPE

OVERVIEW: WESTERN EUROPE: Milk production throughout Western Europe is declining seasonally. Reports indicate that the decline is sharper in some areas versus others, but overall, output is running near last year levels. A firm U.S. dollar is pressuring European prices to adjust accordingly. The PSA butter storage program has now ended. With the close just a few days ago, it is still early and the results of how much butter cleared to the program are still not available. Overall butter stocks are lower than desired. Intervention for SMP is about to end on August 31. Reports indicate that total intervention offerings will be lighter than program maximum levels. International trading out of Europe is slow and unaggressive. There have been no reports of sizable dairy product sales during the past few weeks, but shipments of previously sold product continue.

BUTTER/BUTTEROIL: Butter markets remain firm. Stock levels are lighter than desired in many areas. PSA has now closed. Clearances to the program have been active, but program volumes are not yet available. Some of the offerings have been held long enough and are now available for removal under PSA guidelines. Overall butter demand is fairly active domestically, but slow internationally.

82% BUTTERFAT:	1,875 - 2,100
99% BUTTERFAT:	2,400 - 2,700

SKIM MILK POWDER (SMP): Skim milk powder markets remain steady. As in most other manufactured dairy products, international trading activity out of Europe is slow. Clearances to intervention are slowing. With intervention closing August 31, reports are indicating that total offerings will be high, but the 106,000 metric ton maximum level will probably not be surpassed. Handlers and traders continue to monitor the SMP buyer interest out of Central and South America which, for the most part, is being filled with U.S. powder. With six weeks gone in the new DEIP year in the United States, skim milk powder bids totaling nearly 36% of the program total have already been accepted.

1.25% BUTTERFAT:	1,370 - 1,480
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WHOLE MILK POWDER (WMP): Whole milk powder markets are generally steady with prices basically unchanged to slightly higher. International buyer interest is slow and unaggressive. Stocks are reported to be low for this time of the production season. In most instances, whole milk powder is produced to meet contracted demand, thus lower stock levels are reported to be not that unsettling.

26% BUTTERFAT:	1,600 - 1,800
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SWEET WHEY POWDER: Markets remain firm with stock levels lighter than desired. International buying interest is slow. Although buyer interest is unaggressive, in most instances, European whey prices are higher than international buyers are willing to pay.

NONHYGROSCOPIC:	600 - 700
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OVERVIEW: EASTERN EUROPE: Eastern European markets remain much the same as past weeks. The recent devaluation of the Russian Ruble has Eastern European traders concerned about future sales activity with Russia. The immediate impact is business as usual, but longer term effects could be less favorable. Russian buyer interest for butter is starting to occur, but remains light. It is still early and desired volumes are not fully known. Demand for other dairy products out of the region are light and unaggressive.

OCEANIA

OVERVIEW: The early milk production season outlook continues to receive favorable reviews. In most areas of New Zealand and Australia, milk output is building slowly toward a September or October peak. Overall weather conditions are reported to be good. Some spring flooding in Northern New Zealand and dryer conditions in the Northern Victoria region of Australia are two negative factors, but in general, conditions are conducive to a positive start to the milk production season. Stock levels of manufactured dairy products range from cleaned out to comfortable. As in other parts of the world, butter stocks are reported to be at low levels. International buying interest during the upcoming year continues to be closely monitored by Oceania traders. Traders are hopeful that a positive tone will prevail in the Asian financial situation which will potentially stimulate sales back into the region.

BUTTER: Butter markets are steady to firm as prices generally increase. Recent sales to the United States have reduced Oceania butter stocks to low levels. In many instances, Oceania inventories are at levels that will meet contract commitments until new production becomes available. Oceania traders foresee a favorable butter demand during the upcoming months as butter stocks in other parts of the world are lighter than desired.

82% BUTTERFAT:	1,800 - 1,950
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CHEDDAR CHEESE: Cheese markets are holding steady at unchanged prices. The new milk production season is only starting to develop, thus cheese production remains seasonally low. Cheese sales during the past season were not overly aggressive, although stocks have been reduced to comfortable levels. Oceania traders hope that the financial situation in Southeast Asia will recover which will hopefully encourage sales to resume in the region. Typically, Southeast Asia has been a very strong market for Oceania produced cheese.

39% MAXIMUM MOISTURE:	1,850 - 2,150
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SKIM MILK POWDER (SMP): Oceania skim milk powder markets are steady at unchanged prices. International buyer interest for Oceania SMP is slow and unaggressive. Oceania traders continue to closely monitor sales activity the U.S. is realizing with Central and South America. Traders do not foresee much improved interest at this time. Current stock levels are reported to be in comfortable balance for contracted needs. In most instances, traders are pleased with inventory levels in light of new production coming on line very soon.

1.25% BUTTERFAT:	1,300 - 1,400
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WHOLE MILK POWDER (WMP): The whole milk powder market is steady at unchanged prices. International buyer interest is slow and unaggressive. Stock levels are reported to be at low manageable levels. Most producers and handlers are comfortable with their inventory levels in relationship to contracted sales and the start of the new milk production season. Traders do not foresee buyer interest to be too strong in the near future, thus new production will be held for future buyer interest.

26% BUTTERFAT:	1,700 - 1,750
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Exchange rates for selected foreign currencies: August 17, 1998

.4940 Dutch Guilder	.5574 German Mark
.1663 French Franc	.5018 New Zealand Dollar
.1081 Mexican Peso	.5918 Australian Dollar
1.6160 British Pound	.0069 Japanese Yen
.2844 Polish Zloty	

To compare the value of 1 US Dollar to Mexican Pesos: $(1/.1081) = 9.2507$. That is 1 US Dollar equals 9.2507 Mexican Pesos.
Source: "Wall Street Journal"

JULY MILK PRODUCTION

Milk production in the 20 major states during July totaled 11.3 billion pounds, 0.8 percent below production in these same states in July 1997. June revised production, at 11.4 billion pounds was 0.2 percent above June 1997.

Production per cow in the 20 major states averaged 1,464 pounds for July, 9 pounds below July 1997.

The number of cows on farms in the 20 major states was 7.75 million head, down 14,000 head from July 1997 and down 2,000 from June 1998.

JULY 1998 MILK COWS AND MILK PRODUCTION, BY STATES

STATE	MILK COWS 1/		MILK PER COW 2/		MILK PRODUCTION 2/		
	1997	1998	1997	1998	1997	1998	% CHANGE FROM 1997
	THOUSANDS		POUNDS		MILLION POUNDS		PERCENT
AZ	128	132	1,660	1,460	212	193	-9.0
CA	1,328	1,378	1,805	1,685	2,397	2,322	-3.1
FL	161	160	1,160	1,130	187	181	-3.2
ID	273	294	1,710	1,700	467	500	7.1
IL	147	141	1,320	1,300	194	183	-5.7
IN	140	140	1,325	1,340	186	188	1.1
IA	244	240	1,390	1,355	339	325	-4.1
KY	145	136	1,020	1,020	148	139	-6.1
MI	309	303	1,490	1,505	460	456	-0.9
MN	585	565	1,350	1,365	790	771	-2.4
MO	167	161	1,160	1,165	194	188	-3.1
NM	201	217	1,710	1,750	344	380	10.5
NY	698	700	1,430	1,440	998	1,008	1.0
OH	281	272	1,320	1,390	371	378	1.9
PA	639	635	1,410	1,430	901	908	0.8
TX	384	373	1,140	1,155	438	431	-1.6
VT	157	158	1,425	1,450	224	229	2.2
VA	121	120	1,230	1,220	149	146	-2.0
WA	265	260	1,765	1,750	468	455	-2.8
WI	1,392	1,366	1,415	1,440	1,970	1,967	-0.2
20 STATE TOTAL	7,765	7,751	1,473	1,464	11,437	11,348	-0.8

1/ Includes dry cows. Excludes heifers not yet fresh.

2/ Excludes milk sucked by calves.

SOURCE: "Milk Production," Da 1-1 (8-98), Agricultural Statistics Board, National Agricultural Statistics Service, U.S. Department of Agriculture.

JUNE FLUID MILK SALES HIGHLIGHTS

During June, sales of fluid milk products in comparable Federal milk order marketing areas and California were 0.2 percent below the previous year but 1.2 percent above May 1998 on an adjusted daily average basis. Sales of whole milk items were 0.2 percent below the previous year; sales of fat-reduced milk items were unchanged from the previous year. Total fluid milk sales were higher in the Midwest and Southwest, and lower in all other regions.

**SUMMARY OF PACKAGED SALES OF WHOLE MILK ITEMS, FAT-REDUCED MILK ITEMS, AND TOTAL FLUID MILK ITEMS IN FEDERAL MILK ORDER
MARKETING AREAS AND CALIFORNIA, GROUPED BY REGION, JUNE 1998, WITH COMPARISONS 1/**

Region 4/	Whole Milk Items 2/				Fat-reduced Milk Items 3/				Total Fluid Items			
	Sales		Change from:		Sales		Change from:		Sales		Change from:	
	June	Year to date	Prev. year 5/	Year to date 5/	June	Year to date	Prev. year 5/	Year to date 5/	June	Year to date	Prev. year 5/	Year to date 5/
	Mil. lbs.		Percent		Mil. lbs.		Percent		Mil. lbs.		Percent	
Northeast	331	2,023	-1.8	-2.2	434	2,702	0.8	-0.4	765	4,726	-0.4	-1.2
Southeastern	326	1,962	-1.3	-2.2	401	2,635	0.7	0.2	727	4,597	-0.2	-0.8
Midwest	256	1,537	3.6	0.1	859	5,522	1.1	-1.3	1,115	7,059	1.4	-1.0
Southwest	167	992	0.8	-0.5	184	1,217	-0.3	0	350	2,209	0.2	-0.2
Far West	333	1,970	-0.6	-0.2	637	4,019	-2.4	-1.0	971	5,989	-1.9	-0.7
All Areas Combined	1,413	8,484	-0.2	-1.1	2,515	16,097	0.0	-0.7	3,928	24,580	-0.2	-0.9

1/ These figures are representative of the consumption of fluid milk products in comparable Federal milk order marketing areas and California, and represents approximately 90 percent of total fluid milk sales in the U.S. 2/ Whole milk items include plain, flavored, and miscellaneous whole milk products. 3/ Fat-reduced milk items include plain, solids added, flavored, and miscellaneous reduced fat, low fat, and fat-free products, and buttermilk. 4/ For the marketing areas included in each region, see DMN Vol. 65, report #12. Far West includes California. 5/ Monthly and year-to-date percent changes are based on sales figures adjusted for calendar composition. See DMN Vol. 59, report #13.

**PACKAGED SALES OF INDIVIDUAL WHOLE MILK PRODUCTS AND FAT-REDUCED MILK PRODUCTS IN
ALL MARKETING AREAS DEFINED BY FEDERAL MILK ORDERS AND CALIFORNIA, MAY 1998,
WITH COMPARISONS 1/**

Product Name	Sales	Change from:	
		Previous Year	Year to Date
	Mil.lbs	Percent	
Whole Milk 2/	1,404	-0.8	-1.3
Reduced Fat Milk (2%)	1,276	-3.4	-2.8
Low Fat Milk (1%) 3/	643	1.5	1.5
Fat-Free Milk (Skim)	700	0.9	1.1
Buttermilk	48	-1.0	-2.0
Total Fluid Milk Products 4/	4,083	-0.9	-1.0

1/ These sales volumes and percent changes include preliminary data for the New York-New Jersey milk order marketing area and the California State milk order. However, data for the Tennessee Valley market, which was terminated October 1, 1997, are excluded. Monthly and year-to-date percent changes are based on sales figures adjusted for calendar composition.

2/ Includes flavored whole milk. 3/ Includes flavored fat-reduced milk.

4/ Includes miscellaneous products.

FEDERAL MILK ORDER PRICE AND POOL HIGHLIGHTS

FEDERAL MILK ORDER MARKET SUMMARY FOR JULY 1998. During July, about 6.8 billion pounds of milk were marketed under Federal orders. (Since significant volumes of milk that normally would have been pooled under Federal milk orders were not pooled in July 1998 and 1997, the following comparisons involving producer deliveries have been estimated.) Producer deliveries were about 0.8 percent more than July 1997, and about 1.1 percent less than June 1998 on a daily average basis. Milk utilized in Class I products in July was 1.0 percent more than last year on an adjusted basis. Class I use this year represented 54 percent of producer milk deliveries compared to 39 percent in July 1997. The average blend price was \$13.49 per cwt., \$1.48 more than last year. Changes in class prices from year-earlier levels were as follows: Class I, up \$0.18; Class II, up \$0.18; Class III, up \$3.91; and Class III-A, up \$3.55.

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF JULY 1998										
FEDERAL MILK ORDER MARKETING AREAS <u>1/</u>	ORDER NO.	RECEIPTS AND UTILIZATION						PRICE AND BUTTERFAT DIFF.		
		RECEIPTS FROM PRODUCERS		RECEIPTS USED IN CLASS I		PERCENT USED IN CLASS I		BLEND PRICE <u>2/</u>		BUTTER-FAT DIFF. <u>3/</u>
		1998 TOTAL	CHANGE FROM 1997	1998 TOTAL	CHANGE FROM 1997	1998	1997	1998	1997	1998
		MIL. LB	PERCENT	MIL. LB	PERCENT	PERCENT		DOLLARS		CENTS
New England (Boston)	1*	416.4	-10.0	221.4	8.5	53	44	13.86	12.69	22.3
New York/New Jersey (NY City)	2	1,014.5	-1.4	390.9	-0.9	39	38	14.25	12.39	22.3
Middle Atlantic (Philadelphia-Baltimore/Washington, D.C.)	4	522.7	0.3	226.7	2.5	43	42	13.50	12.42	---
NORTHEAST REGION		1,953.6	-2.9	839.0	2.4	43	41	13.97	12.47	22.3
Carolina (Charlotte)	5	247.8	10.9	207.2	12.2	84	83	13.56	13.33	22.3
Southeast (Atlanta/Birmingham)	7	437.9	3.6	378.3	-15.6	86	77	13.78	13.23	22.3
Florida Markets (Tampa/Jacksonville/Tallahassee/Miami)	12 <u>4/</u>	220.9	-2.1	197.6	0.0	89	88	14.31	14.00	22.3
SOUTHEASTERN REGION	<u>5/</u>	220.9	-2.1	197.6	0.0	89	88	14.31	14.00	22.3
Michigan Upper Peninsula (Marquette)	44*	4.9	-21.8	4.6	9.3	95	68	12.23	11.67	22.3
Southern Michigan (Detroit)	40*	372.4	-3.1	170.3	5.0	46	42	13.00	11.72	---
E. Ohio/W. PA (Cleveland/Pittsburgh)	36*	257.9	-7.8	137.9	1.1	53	49	13.33	11.79	---
Ohio Valley (Columbus)	33*	204.9	-20.5	133.3	1.6	65	51	12.47	11.90	---
Indiana (Indianapolis)	49*	152.6	-3.8	98.2	4.4	64	59	12.40	12.01	---
Chicago Regional	30*	547.3	-58.3	247.0	18.7	45	16	12.94	11.27	---
Central Illinois (Peoria)	50*	15.9	-2.6	13.0	9.5	82	73	12.58	11.96	22.3
S. Illinois-E. Missouri (Alton)	32*	125.3	-29.1	80.6	-3.6	64	47	12.42	11.89	22.3
Louisville-Lexington-Evansville	46	106.0	13.0	88.7	19.3	84	79	12.83	12.45	22.3
Upper Midwest (Minneapolis)	68*	213.2	-75.5	129.2	1.7	61	15	12.48	11.09	---
Iowa (Des Moines)	79*	78.3	-68.9	48.6	-34.3	62	29	12.95	11.47	---
Nebraska/W. Iowa (Omaha/Sioux City)	65*	68.3	-48.5	47.0	-3.6	69	37	12.48	11.59	---
Greater Kansas City/E. S. Dakota	64* <u>6/ 7/</u>	41.4	5.2	---	---	---	---	13.26	12.49	22.3
MIDWEST REGION	<u>5/</u>	1,962.5	-45.4	1,061.0	5.3	54	28	12.81	11.44	22.3

PRICE AND POOL STATISTICS FOR FEDERAL MILK ORDER MARKETING AREAS FOR THE MONTH OF JUNE 1998										
FEDERAL MILK ORDER MARKETING AREAS <u>1/</u>	ORDER NO.	RECEIPTS AND UTILIZATION						PRICE AND BUTTERFAT DIFF.		
		RECEIPTS FROM PRODUCERS		RECEIPTS USED IN CLASS I		PERCENT USED IN CLASS I		BLEND PRICE <u>2/</u>		BUTTER-FAT DIFF. <u>3/</u>
		1998 TOTAL	CHANGE FROM 1997	1998 TOTAL	CHANGE FROM 1997	1998	1997	1998	1997	1998
		MIL. LB	PERCENT	MIL. LB	PERCENT	PERCENT		DOLLARS		CENTS
Southwest Plains (Oklahoma City)	106*	206.7	-26.7	122.0	-1.2	59	44	13.48	12.22	22.3
Texas (Dallas)	126*	390.1	-13.9	268.3	3.1	69	57	13.22	12.73	22.3
SOUTHWEST REGION		596.8	-18.8	390.3	1.7	65	52	13.31	12.53	22.3
E. Colorado/W. Colorado (Denver)	137* <u>6/</u>	88.8	-39.7	68.7	3.4	77	45	13.12	12.05	22.3
SW. Idaho/E. Oregon (Boise)	135*	32.5	-87.9	15.1	2.8	46	5	13.08	10.93	---
Great Basin (Salt Lake City)	139	171.0	-17.9	74.4	2.0	44	35	13.42	11.59	---
Central Arizona (Phoenix)	131*	195.3	4.1	82.0	0.0	42	44	13.99	12.04	22.3
New Mexico-West Texas (Albuquerque)	138*	63.1	-66.6	51.4	-2.0	81	28	13.04	11.72	22.3
Pacific Northwest (Seattle/Portland)	124*	566.4	14.0	172.2	-1.6	30	35	14.04	11.77	---
FAR WEST REGION		1,117.1	-25.4	463.7	0.1	42	31	13.78	11.65	22.3
COMP MKT. AVERAGE OR TOTAL	<u>5/</u>	5,851.1*	-27.5*	2,951.7	2.8	50	36	13.49	11.91	22.3
ALL-MKT. AVERAGE OR TOTAL	<u>7/ 8/</u>	6,762.4*	-26.6*	3,674.4	1.5	54	39	13.49	12.01	22.3
YEAR-TO-DATE AVG./TOTAL										
Northeast Region		14,320.4*	1.8*	5,873.2	0.3	41	42			
Southeastern Region	<u>5/</u>	1,741.8	-3.5	1,489.8	0.2	86	82			
Midwest Region	<u>5/</u>	22,628.3*	-5.5*	7,328.9	-0.3	32	31			
Southwest Region		5,408.1*	-8.3*	2,652.9	-3.9	49	47			
Far West Region		9,876.9*	-8.5*	3,254.8	-0.4	33	30			
COMP MARKET AVERAGE OF TOTAL	<u>5/</u>	53,975.4*	-4.5*	20,599.6	-0.6	38	37	13.78	12.68	----
ALL MARKET AVERAGE OR TOTAL	<u>7/ 8/</u>	62,197.6*	-4.2*	25,873.8	-0.4	42	40	13.89	12.80	----

* Because of certain pricing situations in these markets, handlers elected not to pool an estimated 2.9 billion and 385 million pounds of milk in July 1998 and 1997, respectively, that normally would have been pooled under these orders. The total estimated amount not pooled for this reason through the month of July are: for 1998, 5.5 billion pounds; and for 1997, 3.0 billion pounds. If these volumes had been pooled, the following percent changes in producer deliveries would have resulted: for July, Northeast region +1.1, Midwest region -1.7; Southwest region +3.7, Far West region +10.4, comparable market average +1.7, and all market average +0.8. Year to date, Northeast region +2.3, Midwest region +0.1, Southwest region -3.6, Far West region -2.7, comparable market average -0.4, and all-market average -0.2. 1/ Names in parentheses are principal cities and pricing points of markets. 2/ Prices are for 100 pounds of milk with a butterfat content of 3.5%. 3/ Amount by which the blend price is adjusted for each .1% that the butterfat content of a producer's milk varies from 3.5%. For example, if the butterfat content of the milk that a producer delivers to a regulated handler located in Boston (New England's market) is 4.0%, then the producer's blend price would be \$14.98. (4.0 minus 3.5 equals .5; 5 times \$.223 equals \$1.115; \$13.86 plus \$1.115 equals \$14.975.) 4/ Pool data are either a summation or weighted average of the Tampa Bay, Upper Florida, and Southeastern Florida marketing areas. The blend prices are for the Tampa Bay market. Blend prices for other markets are: Upper Florida: 1998, \$14.39; 1997, \$14.14; and Southeastern Florida: 1998, \$14.95; and 1997, \$14.62. 5/ Figures are based on the same group of comparable markets--markets where orders were in effect the entire period 1997-98 and for which the data were not affected significantly by marketing area changes. Data for Iowa and Greater Kansas City/Eastern South Dakota are no longer comparable; some of the data during this period could not be released without revealing individual business operations. Due to the termination of the Tennessee Valley order, the data for Carolina, Southeast, and Louisville-Lexington-Evansville are no longer comparable and were excluded, where applicable. Most of the milk that would have been pooled under the terminated order was pooled under these three orders. 6/ Figures represent a combination of data for the indicated markets except for the producer blend prices which are for the first market listed. Blend prices for other markets are: Eastern South Dakota: 1998, \$12.43; 1997, \$11.58; and Western Colorado: 1998, \$12.83; 1997, \$12.50. 7/ Class I receipt and utilization data for the Greater Kansas City/Eastern South Dakota area are excluded from all-market figures; see 5/. 8/ The data for 1997 includes the Tennessee Valley marketing area; see 5/.

CCC PURCHASES OF DAIRY PRODUCTS

FOR THE WEEK OF AUGUST 17 - 21, 1998				CUMULATIVE TOTALS				UNCOMMITTED INVENTORIES			
	TOTAL	CONTRACT	ADJUSTED		SINCE	SAME PERIOD		PERIOD ENDING	SAME PERIOD		
	PURCHASES	ADJUSTMENTS	PURCHASES		10/01/97	LAST YEAR		08/14/98	LAST YEAR		
BUTTER											
Bulk	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
Packaged	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
CHEESE											
Block	-0-	-0-	-0-	-0-	-0-	330,284	-0-	-0-	-0-	-0-	-0-
Barrel	-0-	-0-	-0-	-0-	-0-	392,874	-0-	-0-	-0-	-0-	-0-
Process	-0-	-0-	-0-	-0-	-0-	1,184,400	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	-0-	-0-	-0-	-0-	1,907,558	-0-	-0-	-0-	-0-	-0-
NONFAT DRY MILK											
Nonfortified	-0-	6,804,484	-6,804,484	126,523,083	12,386,868	-0-	-0-	-0-	-0-	-0-	-0-
Fortified	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-	-0-
TOTAL	-0-	6,804,484	-6,804,484	126,523,083	12,386,868	-0-	-0-	-0-	-0-	-0-	-0-

MILK EQUIVALENT, MILKFAT AND SKIM SOLIDS BASIS, OF ADJUSTED PURCHASES (MILLION POUNDS)

	MILKFAT*	SKIM**		MILKFAT*	SKIM**
	<u>BASIS</u>	<u>SOLIDS</u>		<u>BASIS</u>	<u>SOLIDS</u>
WEEK OF AUGUST 17 - 21, 1998 =	-1.5	-79.2	COMPARABLE WEEK IN 1997 =	0.9	46.3
CUMULATIVE SINCE OCTOBER 1, 1997 =	27.8	1,472.7	CUMULATIVE SAME PERIOD LAST YEAR =	20.3	163.1
CUMULATIVE JANUARY 1 - AUGUST 21, 1998 =	26.1	1,381.3	COMPARABLE CALENDAR YEAR 1997 =	20.3	163.1

* Factors used for Milkfat Solids Basis: Butter times 21.80; Cheese times 9.23; and Nonfat Dry Milk times 0.22

**Factors used for Skim Solids Basis: Butter times 0.12; Cheese times 9.90; and Nonfat Dry Milk times 11.64

CCC ADJUSTED PURCHASES SINCE 10/1/97 AND SAME PERIOD LAST YEAR (POUNDS) AND MILK EQUIVALENT AS A PERCENT OF TOTAL									
REGION	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97	1997/98
MIDWEST	-0-	-0-	-0-	1,514,684	11,550,729	-0-	9.1	68.8	31.2
WEST	-0-	-0-	-0-	392,874	114,685,811	12,386,868	90.7	0.2	0.0
EAST	-0-	-0-	-0-	-0-	286,543	-0-	0.2	0.0	100.0
TOTAL	-0-	-0-	-0-	1,907,558	126,523,083	12,386,868	100.0	100.0	100.0

SUPPORT PURCHASE PRICES FOR DAIRY PRODUCTS PRODUCED ON OR AFTER JANUARY 1, 1998**MANUFACTURING MILK:** Average Test 3.67% - \$10.05 per cwt.; 3.5% - \$9.95**DOLLARS PER POUND****BUTTER:** Bulk \$.6500; 1# Prints \$.6800**CHEESE:** 40 & 60# Blocks \$1.1150; 500# Barrels \$1.0850; Process American 5# \$1.1675; Process American 2# \$1.2075**NONFAT DRY MILK:** Nonfortified \$1.0280; Fortified \$1.0380; Instant \$1.1855

Dairy Cow & Total Cow Slaughter under Federal Inspection, by Regions & U.S., for Week Ending 08/01/98 & Comparable Week 1997 1/ 2/													
Regions*	1	2	3	4	5	6	7	8	9	10	U.S. TOTAL	% DAIRY OF ALL	
1998-Dairy cows HD (000)	0.3	1.4	5.6	5.0	17.0	2.1	2.7	1.2	8.7	2.6	46.6	1,581.5	42.2
1997-Dairy cows HD (000)	0.4	1.6	6.2	5.6	20.2	2.5	3.3	1.2	8.9	3.0	52.9	1,703.3	44.1
1998-All cows HD (000)	0.3	1.5	7.6	15.3	23.5	23.0	17.4	5.3	11.2	5.5	110.5	3,430.6	45.8
1997-All cows HD (000)	0.4	1.7	8.5	16.6	28.1	17.9	19.8	8.1	11.7	7.0	120.0	3,716.7	

SOURCE: The slaughter data are gathered and tabulated in a cooperative effort by the Agricultural Marketing Service, The Food Safety and Inspection Service, and the National Agricultural Statistics Service, all of USDA.

CCC MARKET PRICE PURCHASES 8/20

PROCESS		OCTOBER DELIVERY	
2# PROCESS LOAF		514,800	\$1.7777-1.7995
5# PROCESS LOAF		1,782,000	\$1.6010-1.6495
PROCESS SLICED		2,574,000	\$1.6600-1.7550
MOZZARELLA			
MOZZARELLA		241,920	\$1.8500
MOZZARELLA, LMPS		201,600	\$1.8500
MOZZARELLA LITE		201,600	\$1.8610-1.8990
MOZZARELLA LITE SHREDDED		483,840	\$1.9810-2.0110
CHEDDAR			
CHEDDAR SHREDDED		153,600	\$2.0979-2.1187
CHEDDAR CUTS		79,900	\$2.0450-2.0490
CHEDDAR BLOCKS		119,850	\$1.9325
REDUCED FAT BLOCKS		79,901	\$2.1275
REDUCED FAT CUTS		119,850	\$2.2675
BARRELS		80,000	\$1.5400
REDUCED FAT SHREDDED		576,000	\$2.2150-2.2700

CUMULATIVE TOTAL CHEESE PURCHASES SINCE 10/1/97 = 85,571,020

CUMULATIVE TOTAL N.M. PURCHASES SINCE 10/1/97 = 85,979

BASIC FORMULA PRICE (BFP), MAY 1995* TO DATE & HISTORIC M-W (3.5% BF, \$/CWT.)

YEAR	JAN.	FEB.	MAR.	APR.	MAY	JUN.	JUL.	AUG.	SEP.	OCT.	NOV.	DEC.
1994	12.41	12.41	12.77	12.99	11.51	11.25	11.41	11.73	12.04	12.29	11.86	11.38
1995	11.35	11.79	11.89	11.16	*11.12	11.42	11.23	11.55	12.08	12.61	12.87	12.91
1996	12.73	12.59	12.70	13.09	13.77	13.92	14.49	14.94	15.37	14.13	11.61	11.34
1997	11.94	12.46	12.49	11.44	10.70	10.74	10.86	12.07	12.79	12.83	12.96	13.29
1998	13.25	13.32	12.81	12.01	10.88	13.10	14.77					